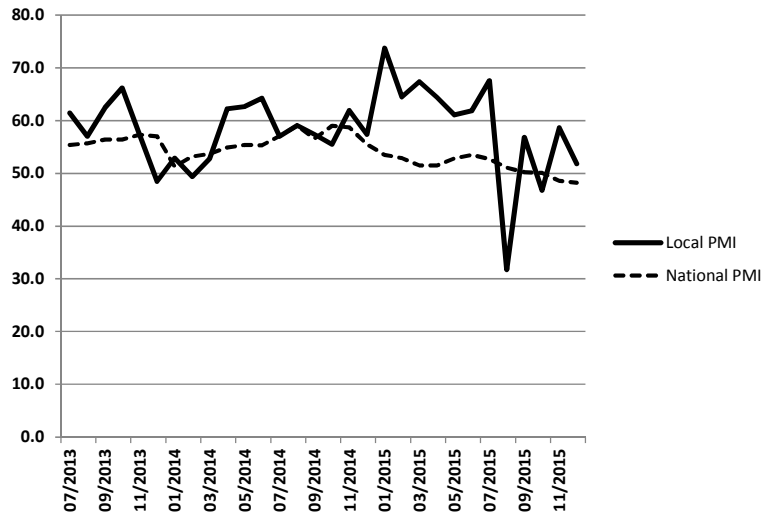


Institute of Supply Management - Buffalo
December 2015 Business Survey Monthly Comparison Report

The PMI Index

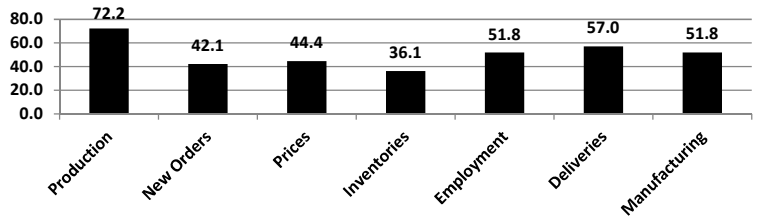
The local Buffalo-Niagara Manufacturing index remained in expansionary territory in December with an index value of 51.8, off from November's 58.7. We remain above the 50.0 mark which denotes increases in activity. Locally, we managed another favorable result in spite of contractionary manufacturing index values on both the national and state level. Nationally the ISM manufacturing remained below the 50.0 mark at 48.2 in December (down slightly from 48.6). On the statewide level the NY Fed's Empire State Manufacturing Survey continued to show weakness registering the fifth straight month results reflected contractionary activity. While December showed another expansionary result, I remain concerned moving forward locally simply due to the continued issues that the geographically broader measures of manufacturing activity have shown of late.

Looking to the other indices, Production continued to post strong increases to prior month at 72.2, down slightly from last month's 73.8 value. New Orders slipped into contractionary territory at 42.1 during December, off from 55.0 in November. Prices remain in contractionary territory, which along with inventories contracted again although at a slower pace. Employment remains in positive territory at 51.8 although increases are at a slower rate than November. Prevailing conditions were improving, although more mixed this month.



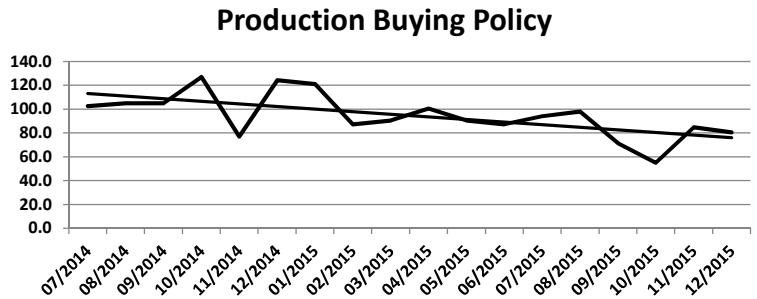
This month (Seasonally Adjusted)

Index	Index	Direction	Rate of Change
Production	72.2	Increasing	Flat
New Orders	42.1	Decreasing	Increasing
Prices	44.4	Decreasing	Decreasing
Inventories	36.1	Decreasing	Increasing
Employment	51.8	Increasing	Decreasing
Deliveries	57.0	Increasing	Increasing
Manufacturing	51.8	Increasing	Decreasing



Production Buying Policy

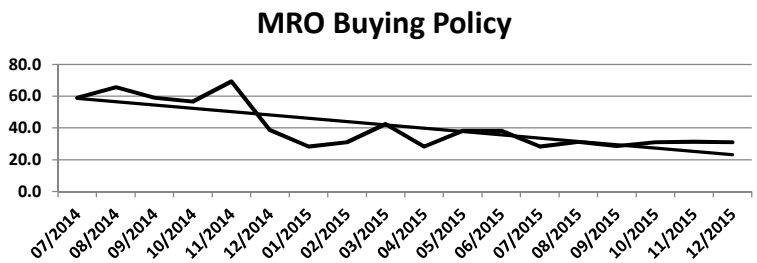
Days ahead production commitments among respondents fell slightly to 80.6 days from November's 85.0 days. This month's move was almost in tandem to the long term trend line of generally decreasing production commitments over the past twelve months. With the weakness in New Orders from December and overall weakness nationally this may not be a trend we should expect to improve upon over the near term.



MRO Buying Policy

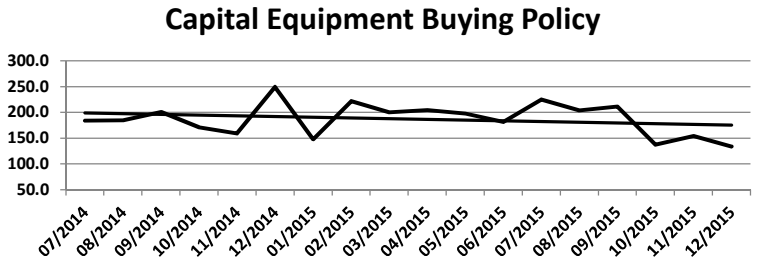
(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand fell slightly to 31.1 days, essentially flat to November's 31.4 days and October's 31.0 days. What was once one of the most predictably non-variant series appears to have settled in again near the 30 day mark in recent months.



Capital Equipment Buying Policy

Manufacturers report making capital equipment buying commitments an average of 133.9 days in December, off from 154.1 days in November. We've had three months of below trend values generally showing a shorter time horizon in terms of capital equipment purchases. While some of our other series remain positive, this again confirms my overall feeling the overall manufacturing outlook was mixed in the Buffalo area for December.



Institute of Supply Management - Buffalo
December 2015 Business Survey Monthly Comparison Report

The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
December 2015	55.6%	22.2%	22.2%	66.7	56.3
November 2015	63.6%	18.2%	18.2%	72.7	71.4
October 2015	30.0%	30.0%	40.0%	45.0	55.0

The Production diffusion index was off slightly to 66.7 in December relative to November's strong increase to 72.7. With two months of expansion in production activity in WNY we are seeing a period of greater variance in the series showing there has been greater uncertainty over recent months in terms of production.

New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
December 2015	22.2%	33.3%	44.4%	38.9	62.5
November 2015	27.3%	54.5%	18.2%	54.5	64.3
October 2015	20.0%	60.0%	20.0%	50.0	50.0

The non-seasonally adjusted New Orders index fell into contractionary territory again December following two months of increases in October and November. Again I feel like this underscores the overall mixed to weak environment we are seeing on a broader scope having its effect on the local participants. As increasing or decreasing New Orders often foretell future activity, I particularly watch this series as a guide to what may happen in the near term.

Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
December 2015	22.2%	44.4%	33.3%	44.4	56.3
November 2015	9.1%	63.6%	27.3%	40.9	50.0
October 2015	10.0%	60.0%	30.0%	40.0	55.0

The Commodity Price diffusion index continued in contractionary territory at 44.4, easing up slightly from 40.9 in November. The past three months have seen respondents claiming lower commodity prices relative to prior month. The near term outlook for the Fed is for them to continue the general upward target in interest rates even though we continue to see general weakness in inflation.

Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
December 2015	0.0%	66.7%	33.3%	33.3	56.3
November 2015	27.3%	36.4%	36.4%	45.5	50.0
October 2015	20.0%	30.0%	50.0%	35.0	55.0

The Inventories of Purchased Goods index signaled contracting inventories relative to prior month for the fifth straight month in December registering an index value of 33.3. Not since July have local respondents reported increases in inventories over the near term.

Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
December 2015	22.2%	55.6%	22.2%	50.0	37.5
November 2015	45.5%	36.4%	18.2%	63.6	50.0
October 2015	20.0%	60.0%	20.0%	50.0	45.0

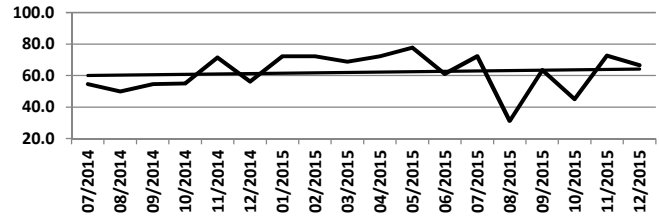
The non-seasonally adjusted Employment index again increased, although is flirting with contractionary levels with an index value of 50.0 (where a value less than 50.0 denotes decreases relative to prior month). We see continued fluctuation in this series nearing the contractionary mark, but have not seen decreases relative to prior month since August.

Vendor Deliveries were:

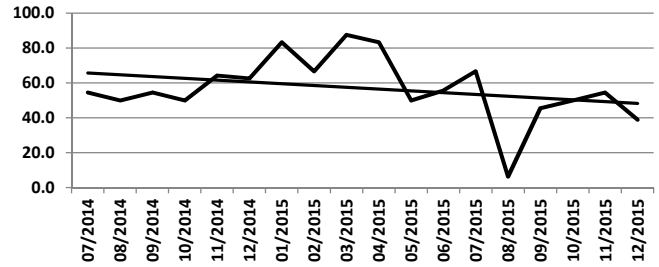
Period	Faster	Same	Slower	Index	Prior Yr
December 2015	11.1%	88.9%	0.0%	55.6	56.3
November 2015	9.1%	81.8%	9.1%	50.0	57.1
October 2015	10.0%	70.0%	20.0%	45.0	55.0

The Vendor Deliveries index registered a 55.6 value in December, up slightly from November's 50.0. We again see faster deliveries relative to prior month, although in two of the last five months the changes in vendor deliveries to prior month have been slower.

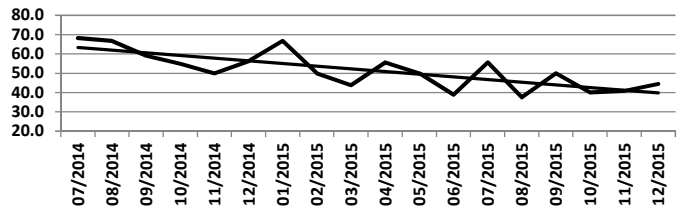
Production - Diffusion Index



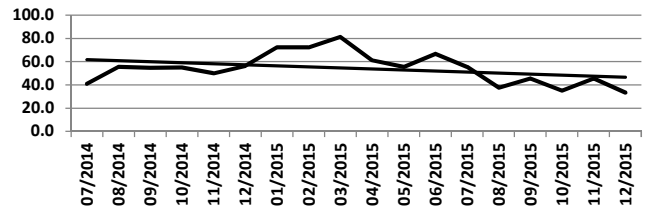
New Orders - Diffusion Index



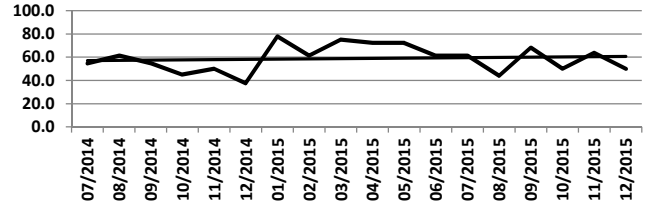
Commodity Pricing - Diffusion Index



Inventories - Diffusion Index



Employment - Diffusion Index



Vendor Deliveries - Diffusion Index

